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President: Ms. Triveño ..... (Peru)

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The meeting was called to order at 3.26 p.m.

Adoption of the agenda (GC.15/1; IDB.41/Dec.5)

1. **The President** drew attention to Industrial Development Board decision IDB.41/Dec.5, contained in annex I to the Board's report on its forty-first session, and to the provisional agenda for the Conference session contained in document GC.15/1.

2. *The provisional agenda in document GC.15/1 was adopted.*

Lima Declaration: Towards inclusive and sustainable industrial development (GC.15/13)

3. **The President** drew attention to the proposed text of a "Lima Declaration: Towards inclusive and sustainable industrial development" (GC.15/13), which had been drafted in informal consultations prior to the session and was recommended for adoption by the General Conference.

4. *The "Lima Declaration: Towards inclusive and sustainable industrial development"(GC.15/13) was adopted.*

5. *Mr. Humala Tasso, President of Peru, and Mr. Ban Ki-moon, Secretary-General of the United Nations, were escorted into the hall and took their places on the podium.*

6. **Mr. Humala Tasso** (President of Peru) said that the global industrialization process had allowed certain countries to export commodities and embark on high-tech development, while others remained in a developing stage. Peru had been blessed with abundant natural resources and the time had come for the population to emerge from a state of underdevelopment through the use of a different kind of raw material — intelligence and the capacity to innovate and create, especially among young people. By benefiting from the capacity of young people, Peru could add value to its national production. It could not continue to rely on the international price of commodities, but should capitalize on its own strengths. It had been very important for Peru to host a General Conference session and he hoped that it would be able to do so again in the future.

7. Globalization was shaping a new economic order and establishing new relationships within the international community. The global financial crisis was capable of destroying very rapidly what it had taken many years to build, and it was important that responsibility be shared and that no country be left behind. In that context, widespread technology transfer was vital.

8. Peru was elaborating a development strategy that featured the promotion of industry-related investment and capacity-building. While it was vital to develop the capacity of young people, high-quality education was too costly for the majority of people to afford. That was why Peru had created scholarship programmes, which now benefited over 15,000 students studying both within the country and abroad. The condition of such scholarships was that students must work in Peru for a given period of time after graduating.

9. Peru was building infrastructure to connect its various territories, cities, ports and airports, thus creating a national market. There was also a need to create development clusters in all parts of the country. The country was investing in the energy sector not only to supply all households with energy but also to develop industry in remote areas.

10. Peru needed to be a streamlined, modern State that could respond quickly to current needs and attract investment from the private sector, and it had implemented reforms in all fields. The State should offer the same opportunities to the entire population, not favouring just those living in the capital city. In that regard, the Lima Declaration was of the utmost importance and should reinforce the objective of combating poverty and inequality. With an effective industrialization policy, Peru could meet its goals and its experience could be shared with the rest of the world, through UNIDO.

11. He thanked the Member States for their attendance at the session and for their contribution to the drafting of the Lima Declaration.

12. *In the presence of Mr. Ban Ki-moon, Mr. Humala Tasso proceeded with the official handing over of the Lima Declaration to Mr. LI Yong.*

13. **The President** said that the Member States had now renewed their commitment to UNIDO and to inclusive and sustainable industrial development, recognizing that industry was a driver of economic growth.

14. **Mr. LI** Yong (Director General) congratulated the Member States on the adoption of the Lima Declaration, which was a landmark document and a tremendous and historic achievement. The Declaration charted the Organization's development priorities for the coming years and formed the basis for its future work as a specialized agency of the United Nations system mandated to promote all matters relating to industrialization. It placed UNIDO at the threshold of an exciting new era in which Member States would embark on a path of inclusive and sustainable industrial development to achieve the eradication of poverty. The Lima Declaration was a testament to the confidence of Member States in UNIDO. It was a strategic document that would serve as a road map for the future of the Organization and form a solid basis for achieving the Sustainable Development Goals and for the post-2015 development agenda.

15. UNIDO was committed to providing a full range of services in line with the various demands and needs of its Member States and would support them in all their industrial strategies according to their varying levels of development. The Member States had asked the Organization to serve as global facilitator of knowledge exchange and an adviser on policies and strategies towards achieving inclusive and sustainable industrial development. UNIDO stood ready to fulfil that request. Industrial development was necessary for achieving resilient, inclusive and sustainable economic growth and the Organization was committed to forging the necessary partnerships with all related stakeholders to help create an enabling environment.

16. It was possible to eradicate poverty within the next generation but it was important to work together towards that common goal. He would follow the guidance and leadership enshrined in the Lima Declaration and counted on the trust and support of the Member States in its implementation.

17. **Mr. Ban** Ki-moon (Secretary-General of the United Nations) congratulated all those who had contributed to the adoption of the Lima Declaration. The document was an encouraging milestone. It pointed the world in the direction of inclusive and sustainable industrial development and offered important guidance in the run-up to 2015. It offered a historic opportunity for working together to achieve the Millennium Development Goals (MDGs), combat climate change and adopt an inspiring new development agenda.

18. The leadership of Peru as host of the twentieth United Nations Climate Change Conference in 2014 was critical. The eradication of poverty and the control of climate change were at the heart of common efforts and were mutually reinforcing goals, but in order to achieve them there needed to be significant restructuring of the global economy. Industry and the private sector would play a crucial role.

19. Working together, it would be possible to create jobs, improve people's well-being and protect the environment. Many existing technologies, policies and practices could be used to accelerate action against climate change and develop low-carbon industries. However, efforts should be increased and targets raised. Moreover, large amounts of capital were required and it was vital to ensure that investments and project allocations properly reflected the priorities of UNIDO.

20. The Lima Declaration reiterated the importance of working together to build a life of security and prosperity for all. It was important to act quickly in order to minimize the cost to communities, businesses, economies, populations and the planet.

21. He thanked the Member States for their efforts and commitment and looked forward to continued work in the same spirit to transform the Declaration into meaningful action.

22. **The President** thanked all the Member States for their cooperation and engagement during the informal consultations that had taken place in Vienna under the leadership of Mr. García Revilla, the Permanent Representative of Peru to the International Organizations in Vienna, and had produced the Lima Declaration. The adoption of the Declaration was a milestone in the history of UNIDO and set a new framework for the Organization's future activities towards inclusive and sustainable industrial development. She thanked the President of Peru and the United Nations Secretary-General for their presence.

23. *Mr. Humala Tasso and Mr. Ban Ki-moon left the podium.*

24. **Mr. Elamin** (Sudan), speaking on behalf of the Group of 77 and China, welcomed the adoption of the

Lima Declaration. He was confident that the renewed political commitment reflected therein would enhance the role of UNIDO as a central coordinator for partnerships to promote industrial development.

25. Bearing in mind the process of intergovernmental negotiations that would lead to the adoption of the post-2015 development agenda and the urgent need for poverty eradication, the Group renewed its full commitment to UNIDO and was confident that the Organization would continue to assist Member States in achieving sustainable development.

26. Effective follow-up was imperative so as not to lose momentum and to ensure that efforts remained relevant and meaningful during the period leading up to 2015.

27. **Mr. Hatzopolous** (Greece), speaking on behalf of the European Union (EU), said that Turkey, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Albania, Bosnia and Herzegovina, Norway, Ukraine, the Republic of Moldova and Armenia aligned themselves with his statement.

28. He welcomed the adoption of the Lima Declaration, which would prepare UNIDO for a new development paradigm. While poverty eradication and sustainable development would remain central and should be addressed through integrated and innovative approaches in the context of the post-2015 development agenda, inclusive and sustainable industrial development must also be considered and given its due relevance. In that regard, the EU would continue its cooperation with UNIDO with a view to encouraging Governments, the private sector and civil society to implement policies that combined wealth and job creation with environmental sustainability.

29. He commended the efforts made by Mr. García Revilla, the Permanent Representative of Peru to the International Organizations in Vienna, and all the Member States in the elaboration of the Lima Declaration.

30. He hoped that inclusive and sustainable industrial development would help lift people out of poverty and give them a decent life in dignity.

31. **Mr. de Alba** (Mexico), speaking on behalf of the Group of Latin American and Caribbean States (GRULAC), thanked the Government of Peru for hosting the General Conference session. GRULAC had every expectation of its success.

32. He thanked Mr. LI Yong for his leadership and dynamism during the first six months of his mandate as Director General and reiterated the Group's commitment to UNIDO. He welcomed the positive outcomes of Mr. LI Yong's recent working visit to Brazil and Mexico and hoped that the coming years would provide opportunities for closer collaboration with other countries in the region.

33. The first Lima Declaration, adopted in 1975, had reflected the challenges of its time. GRULAC welcomed the new Lima Declaration, which it considered a milestone in the history of UNIDO. In the context of the post-2015 development agenda, the Declaration highlighted the political commitment of Member States to achieving inclusive and sustainable development through industrialization and their confidence in the central role of UNIDO as the specialized agency for coordinating international cooperation in that area. The Declaration would serve as a guide for a comprehensive approach to addressing new challenges and eradicating poverty and inequality through industrialization. To that end, alliances and cooperation mechanisms must be forged at all levels and with various stakeholders.

34. The Group thanked Mr. García Revilla, the Permanent Representative of Peru to the International Organizations in Vienna, for the leadership and skill he had shown during the negotiations that had produced the Lima Declaration.

35. **Mr. Khosraviani** (Islamic Republic of Iran), speaking on behalf of the Asian States and Pacific small island developing States, endorsed the Lima Declaration and hoped that it would serve to promote the role of UNIDO and to feed into the three documents that constituted the Organization's planning framework, namely the strategic long-term vision statement, the medium-term programme framework and the biennial budget.

36. The Group commended the work done by the Permanent Mission of Peru in Vienna, in particular the Permanent Representative Mr. García Revilla, in facilitating the production of the Lima Declaration. It would be vital to ensure effective follow-up so that momentum was not lost.

37. **Mr. Oguyi** (Kenya), speaking on behalf of the African Group, welcomed the adoption of the Lima Declaration. Through that document, the UNIDO Member States had unanimously reinforced their commitment to achieving inclusive and sustainable industrial development, which would constitute a sound basis for sustained economic growth.

38. The Declaration would also help to enhance the Organization's active engagement in the elaboration of the post-2015 development agenda.

39. The Group looked forward to a speedy and comprehensive implementation of the Declaration; that would go a long way in strengthening the industrial base of Member States, leading to a genuine transition of their economies towards inclusive and sustainable industrial development.

Forum on industrial development issues (GC.15/4)

Panel 1: "Partnerships for industrial development"

40. An interactive discussion was held on partnerships for industrial development. The moderator, Mr. Todd Benjamin, former CNN anchor and correspondent, introduced the panellists: Mr. Luis M. Castilla Rubio, Minister of Economy and Finance of Peru; Mr. Charles Edquist, Professor at Lund University, Sweden; Mr. Frank Schmiedchen, Government Director, Ministry for Economic Cooperation and Development of Germany; Mr. Kandeh Yumkella, Special Representative of the United Nations Secretary-General and Chief Executive Officer for the Sustainable Energy for All Initiative; and Mr. Jean-Francis R. Zinsou, Permanent Representative of Benin to the United Nations.

41. Mr. Yumkella noted that for inclusive and sustainable industrial development, the least developed countries (LDCs) needed trade partnerships that were not solely commodity-based; currently, value addition incurred high tariffs, which did not encourage the LDCs to be innovative. On a national level innovation could be incremental, but more major breakthroughs were needed on an international level to cope with resource scarcity and the increasing global population.

42. Mr. Castilla Rubio said that the Peruvian economy had developed thanks to high commodity prices, but that insufficient investment in innovation had led to slow productivity growth. Effective government policies were needed to address that. Innovation should be more aggressive but the major innovations required by the modern world were often constrained by gaps in skills and infrastructure.

43. Mr. Edquist said that a distinction should be made between science and innovation policies, since not all innovation was science-based. Existing knowledge could be built on or combined with new knowledge. In addition, commodities could simply be packaged or marketed in a new way.

44. Mr. Schmiedchen said that while major innovations were necessary, especially with regard to climate change, developing countries with a limited technology base should progress step by step and adopt tailored approaches that took into account their national conditions. Innovation did not need to be expensive, and he referred to a recent project to develop pharmaceutical industries in sub-Saharan Africa using official development assistance and private investment. With regard to cooperation, developing countries should establish regional partnerships, Governments should collaborate more with the private sector and academia, and different agencies of the United Nations system should work together in common target areas.

45. Mr. Zinsou said that innovation required a problem-solving approach and must be locally driven. It could combine ancestral knowledge with modern science. He noted that African countries were now capable of manufacturing new products, such as drugs to treat malaria or AIDS, locally.

46. When asked who should pay for the technology transfer required for innovation in developing countries, Mr. Schmiedchen said that it was the responsibility of the private sector. Furthermore, technology transfer could take place between developing countries and offer mutual benefits. Mr. Yumkella emphasized the need for institutions that facilitated technical cooperation and highlighted the role of foreign direct investment (FDI).

47. Mr. Castilla Rubio said that better-quality FDI was needed and that countries should enable investors to undertake production activities using local infrastructure and skills, rather than simply exporting raw materials. That way, FDI could be a channel for innovation. Mr. Schmiedchen said it was important to ensure that FDI was relevant to each country and to prevent it from acting as a new form of exploitation.

48. The moderator asked the panellists to suggest ways of ensuring that partnerships between developed and developing countries were fair. Mr. Castilla Rubio said that firms had various responsibilities in that regard: to pay the necessary taxes, which could then be used to finance public policies; to meet the minimum environmental and labour standards; and to operate in a transparent manner.

49. Mr. Zinsou, referring to the experience of Benin, said that the establishment of local manufacturing plants by foreign companies led to job creation and enabled developing countries to use the resulting knowledge and experience to manufacture independently. FDI and transformation facilities were also required for more efficient production. In addition, the World Trade Organization should be reformed so that developing countries were given more opportunity to add value to their exports. Lastly, partnerships with proven management companies could help developing countries manage their various infrastructure projects.

50. Mr. Yumkella said that inclusive and sustainable industrial development must feature in each country's national plan of action and that developing countries could choose to decline offers of investment that did not align with that concept. He also emphasized the importance of education on best practices. Institutions like UNIDO could provide information in that regard. He referred to a new report entitled "Now for the Long Term" and published by the Oxford Martin School, which addressed the conflict between short-term politics and long-term transformationism. The report highlighted the need to establish creative coalitions in order to come to agreements that were acceptable to both developed and developing countries, and the importance of setting national targets and long-term visions.

51. Mr. Schmiedchen said that investment could be encouraged through the maintenance of a clear and consistent regulatory environment and that the State should not hinder partnerships with foreign investors. Competition was important, but the Lima Declaration also gave Member States a unique opportunity to cooperate on trade-related matters.

52. Mr. Edquist commented that larger countries were more capable of negotiating with large foreign firms than smaller ones, so smaller countries should collaborate.

53. The moderator asked how a better global equilibrium could be created and Mr. Schmiedchen said that a growing global middle class was essential. Internal markets were fundamental in that regard and smaller countries could work together to form regional markets.

54. When asked whether the zero-sum concept was used as an excuse for the lack of development in certain countries, the panellists said that countries had a choice as to whether they industrialized successfully, that they needed to create an enabling environment and develop their own capabilities, that they should mobilize local resources and build capacities in order to increase production and that they should invest in other developing countries, thus reshuffling the global balance.

55. In response to the questions raised by forum participants, the panellists referred, inter alia, to: the need to foster a more innovative culture among small and medium-sized enterprises (SMEs) and encourage risk-taking among entrepreneurs, which could be achieved through public-private partnerships and the removal of bureaucratic obstacles on the part of Governments; the way that public-sector innovation and research had often triggered major technological breakthroughs that had been built on by the private sector; and the question of intellectual property rights.

56. Mr. Yumkella commended UNIDO and Mr. LI Yong for having taken the General Conference out of Vienna, which was an innovation in itself. He hoped that that practice could be repeated every four years.

57. Mr. Csaba Kőrösi, Permanent Representative of Hungary to the United Nations in New York, made a statement following the first panel discussion, in which he said that the Sustainable Development Goals constituted the backbone of the future development strategy. Major challenges included: the increasing global population; decreasing natural resources and climate change; increasing urban populations; the growing middle class; the rapidly growing global gross domestic product (GDP) combined with increasing inequality; changing social and political behaviour; and changing perceptions with regard to development.

58. In order to address those challenges effectively, the Sustainable Development Goals should be limited in number, measurable, action-oriented, easy to communicate and universal in nature and should

integrate all dimensions of development. They should also inspire national action, allow for flexibility and empower civil society and other stakeholders. The new development strategy would constitute a paradigm change and should aim to have economic, social and environmental impacts. Technical innovation should be used to ensure that objectives were reached.

59. Bill Gates had said that the two most important components of development were competition and caring about others. In order for those two things to be integrated, persistent government policies were required.

60. The concept of development was moving away from development assistance to a more comprehensive concept of progress.

61. Moreover, the purpose of development was changing. While the MDGs had aimed to tackle precise issues in order to close development gaps, the Sustainable Development Goals also needed to address environmental vulnerabilities.

62. Lastly, the way in which progress was evaluated was changing. The current method of measuring GDP was outdated; human capital, social capital, natural capital, financial resources and built capital should all be considered.

63. The outcomes of the recent Open Working Group on Sustainable Development Goals in New York were very similar to the recommendations in the Lima Declaration. All countries had a right to economic growth and environmentally-friendly industrialization, but policies should also take into account equality and human rights. SMEs should be included in national and global value chains and Governments should focus strongly on industrialization policies. Internal financial resource mobilization would be crucial.

64. To finish, he posed the question: "Should we repeat traditional industrialization or is there a smarter way?"

Panel 2: "Industrial development as a Sustainable Development Goal"

65. An interactive discussion was held on industrial development as a Sustainable Development Goal. The moderator was Mr. Todd Benjamin and the panellists were: Mr. Ahmed Abetew, Minister of Industry of Ethiopia; Mr. Daniel Calleja Crespo, Director General of DG Enterprise and Industry of the European Commission; Mr. Ken Kanda, Permanent Representative of Ghana to the United Nations; Mr. Palitha Kohona, Permanent Representative of Sri Lanka to the United Nations; Ms. Betty Maina, Chief Executive Officer of the Kenya Association of Manufacturers; and Mr. Célestin Monga, Senior Economic Adviser to the Senior Vice President and Chief Economist of the World Bank.

66. In their introductory statements, the panellists addressed the question posed by Mr. Kőrösi as to whether there was a smarter way to industrialize.

67. Mr. Abetew said that developing countries with scarce capital resources should make use of land and labour resources and engage in labour-intensive activities. That way they could mobilize their citizens in the development process, generate capital and invest in social services such as education in order to produce a trained and educated workforce.

68. Mr. Calleja Crespo said that past mistakes should not be repeated. It was important not to pick winners and losers or to practise interventionism. He said that the four pillars of industrialization were innovation, access to finance — in particular for SMEs — internationalization and support for skills and education.

69. Mr. Kanda said that countries should use all available technologies to experiment in industrialization and that the form industrialization took depended on national conditions. Countries such as Peru were on the right path and could be learned from.

70. Mr. Kohona said that industrialization was essential but must be relevant and appropriate to each country. New technologies should be used but were expensive and restricted. Certain countries had relied successfully on information and communications technology, which could provide a potential development solution. It was important to avoid a situation whereby the developing countries continued to undertake labour-intensive work simply for wealthier countries to reap the benefits.

71. Ms. Maina said that industrialization could build on existing knowledge and technologies, that African countries should think about how to engage in more energy-efficient development and that, in the context of a larger, more competitive, market, closed

economies and protectionism should be avoided. Governments should implement policies that supported sectors that they wished to promote, rather than counteractive measures that hindered private enterprise, such as high taxes and trade restrictions.

72. Mr. Monga said that intervention was necessary but had occurred in the wrong sectors. Poor economies had targeted capital-intensive industries in which they had no comparative advantage, rather than labour-intensive, low-skill industries that could offer jobs.

73. When asked how inclusive and sustainable industrial development could best be achieved, the panellists said that countries should: set targets relating to research and development, innovation and the contribution of industry to GDP; integrate industry with other sectors; invest in renewable energy solutions; practise a certain degree of protectionism; adopt tailored national strategies based on the more general guidelines provided in the Lima Declaration and the Sustainable Development Goals; establish clusters to minimize logistical costs; and continue to upgrade and move into new sectors.

74. With regard to targets and indicators that could be applied to measure the impact of inclusive and sustainable industrial development, the panellists listed: standard of living; contribution to GDP; levels of technology and innovation; percentage of exports; skills development, education and training; the percentage of value added with regard to exports; the nature and amount of energy generated and delivered to the industrial sector; the number of skilled jobs created in manufacturing; and the extent to which industrial development was environmentally friendly.

75. When asked how countries could improve on the MDGs, the panellists referred, inter alia, to: increased focus on economic growth; an agenda that had universal appeal but could also be tailored to the specific conditions of each country; the mobilization of international solidarity; increased focus on the industrial sector; the need for ownership of the goals so that they were not seen as being imposed; and the option of setting fewer, precise, measurable and achievable goals. Ms. Maina said while the objective of setting fewer goals was commendable, it would be very difficult to achieve. Instead, the focus should be on how they were addressed at national level. The Sustainable Development Goals were an expression of global solidarity but they did not replace national imperatives and policies and should be seen as guidelines, as had been the case with the MDGs.

76. When asked how Africa could realize its potential as a new economic power and achieve poverty eradication, Mr. Abetew said that African countries required good leadership, economic management and appropriate strategies, which should be developed with the full participation of the people. Secondly, they should commit themselves to countering "rent-seeking" behaviour.

77. The moderator asked Ms. Maina whether the short-term rent-seeking mindset, which was sometimes seen as a barrier to industrialization in Africa, could be changed. She responded that rent-seeking was the result of government intervention policies, which tended to incentivize entrepreneurs in certain, targeted sectors. The relationship between policymakers and the business community was anti-competitive and there should be a more open environment that enabled all potential entrepreneurs to participate.

78. The process of industrialization in Africa should not focus solely on value-added agriculture. The industrial sector in Kenya, for example, was based on imported primary materials, which had spawned a metal industry that served the whole of Africa.

79. With regard to linking industrial development and job creation, Mr. Monga said that the private sector should invest in appropriate areas that had comparative advantage and that the Government should support that process by organizing the building of clusters. He also noted that corruption should be combated as well as rent-seeking in order to ensure that money was spent well.

80. When asked why the EU had set a target for industry's share of GDP to be around 20 per cent by 2020 and how that goal would be achieved, Mr. Calleja Crespo said that the main reason was the decline in industry and business and increasing unemployment in Europe following the financial crisis. Countries should rely on internal markets, strengthen innovation, support SMEs and entrepreneurs, promote access to markets and better connect education with business needs.

81. When asked to explain why industrial development should be mentioned in the Sustainable Development Goals and how the concerns of sceptics

had been overcome in that regard, Mr. Konda said that while some concerns remained, industrialization should certainly be part of the Sustainable Development Goals since it was the path to poverty eradication.

82. The moderator closed the Panel by concluding that industry was a fundamental way to create wealth, eradicate poverty and meet social, environmental and humanitarian goals, that no country in history had developed without industrializing and that industrialization must therefore be considered within the post-2015 development agenda.

The meeting rose at 5.50 p.m.